SURFACE TRANSPORATION BOARD

STB Ex Parte 582

TESTIMONY OF HUNTSMAN CORPORATION
MARCH 8, 2000

I am Don Olsen, Senior Vice President of Huntsman Corporation. Huntsman is North America's largest privately held chemical company with 16,000 employees and approximately $8 billion in revenues.

We manufacture more than 30 billion pounds of products annually, much of which we ship by rail, and we are extremely concerned about the impact that any future rail mergers would have on our industry in general and our company in particular.

Our concerns are threefold: safety, service and competitive rates. And these concerns are firmly rooted in what we have experienced with recent rail mergers.

- First, safety - of our people, communities, customers and the environment - is of the utmost importance. Past mergers and their resultant service failures seriously compromised safety.

Much of what we manufacture and ship, if not handled properly, is potentially hazardous. During the UP/SP "meltdown" in 1997 we repeatedly warned the railroads of the importance of keeping our more potentially hazardous products moving, and delivering them on time. In August of that year two of our cars carrying styrene monomer were delayed so long that the material began to polymerize and release vapors. The press reported that the incidents negatively impacted some 4,000 people living in the area. At the same time, we were forced to route cars through highly populated areas in order to supply our customers and keep their facilities running. We cannot over emphasize the importance of properly routing rail cars hauling chemicals, and of keeping them moving to reduce the risk of incidents.

Also, during past merger-caused service interruptions, we were forced on several occasions to resort to shipping by truck. It takes four trucks to haul what one railcar can handle. The potential for harm to the public from increased highway traffic and possible exposure to chemical products is obvious.

- Second, the massive service interruptions and resulting economic chaos caused by past rail mergers are still fresh on our minds. Transit times increased by anywhere from 33% to 123%. We lost customers. During the height of the UP/SP service debacle we were forced to shut down one manufacturing facility for a time and curtail production at others. Our losses totaled more than $7 million.

Even today, though the situation has improved in some corridors, service has not returned to what it was before the UP/SP merger. For example, transit times from Texas to California are 85% longer than pre-merger transit times. Getting to Utah takes 62% longer.

Things are not much better on the East Coast where, despite promises of improved service that the NS and CSXT made in the division of CR, transit times to New Jersey are 64% longer than pre-merger, and getting to South Carolina takes 37% longer.

Dealing with these service interruptions has forced us to add railcars to our fleet, utilize more costly and less safe modes of transportation, and build inventory resulting, again, in costs of many millions of dollars.

I noted in a recent *Wall Street Journal* article that Canadian National and BNSF are guaranteeing "equal or better service" if their proposed merger is approved. With all due respect, we've heard it before. Experience teaches us to look at such a promise with at least a healthy dose of skepticism.

- Third, new mergers likely would lead to significantly higher shipping rates. No reasonable businessperson would expect rates to remain stable or decrease as the number of suppliers is reduced.

I again cite a recent article from the *Wall Street Journal* headlined "Railroads Put New Hauling Fees on Track." Quoting from the article, "A top official of Union Pacific Corp., Omaha, Neb., said recently the company plans to seek 'aggressive price increases' this year." The article goes on to say, "And CSX Corp., Richmond, VA, noted it plans to capitalize on shortages of freight cars and freight yards to boost rates this year." The most telling thing about that statement is that CSX "plans to capitalize on shortages" that the railroad itself helped to create with its poor post-merger service.

In summary, it is our view that additional rail mergers not only are unnecessary but would be counter-productive to the well being of our company and the chemical and plastics industries. We – and the rail industry - are still adjusting to the effects of the last round of mergers. We still are waiting to realize many of the promised benefits of those mergers. We urge you to allow the rail industry to stabilize and improve its operations before sanctioning further consolidations.